OIL AND GAS COMMISSION
SERVICE PLAN

April 1, 2003 to March 31, 2006

"Prosperity through Unity"

TABLE OF CONTENTS

MESSAGE FROM THE BOARD 1

MESSAGE FROM THE COMMISSIONER 2

STRATEGIC OVERVIEW 3

- LINKAGE TO THE GOVERNMENT'S STRATEGIC PLAN 3
- STRATEGIC SHIFTS 3

VISION 4

MISSION 4

CORE VALUES 4

PROSPERITY THROUGH UNITY CIRCLE 5

PLANNING CONTEXT 6

- EXTERNAL 6
- INTERNAL 6
- RISK MITIGATION 6

OVERVIEW OF THE ORGANIZATION 6

- PURPOSE 6
- GOVERNANCE 7

OUTLINE OF THE ORGANIZATION 7

- WHAT THE OGC DELIVERS 8

BRANCH 8

RESPONSIBILITY 8

- GOALS 9
- PERFORMANCE MEASURES, TARGETS AND INDICATORS 9
- CONFIDENTIAL INFORMATION 9
- GOAL A: TO BECOME A RESPECTED AND TRUSTED REGULATOR BY ACHIEVING OUR MISSION AND VISION OF REGULATING FOR THE BENEFIT OF ALL 10
- GOAL B: PROVIDE RESOURCES TO MEET OUR DUTY AND PROVIDE BENEFIT TO BC 14
- GOAL C: INCREASE KNOWLEDGE TO HELP PLAN, AVOID, MITIGATE, AND RECLAIM IMPACTS OF OIL AND GAS ACTIVITIES 18
- GOAL D: BECOME A STAKEHOLDER-CENTRIC ORGANIZATION 19

ANNUAL INFORMATION TECHNOLOGY WORK PLAN 20

- INTRODUCTION 20
- INTEGRATING ALL FUNCTIONS INTO A SINGLE SYSTEM, PROCESS AND DATABASE 20
- PARTNERING IN THE DELIVERY OF GEOGRAPHIC DATA AND PROCESS 20
- PROVIDING ALL PLANNING DATA ON THE WEB 20
- ACCEPTING APPLICATIONS AND CLIENT REPORTS ELECTRONICALLY 21
- PROVIDING THE SYSTEMS OUR STAFF NEEDS TO DO THEIR JOB, ... 21
- WHERE THEY NEED TO DO THEIR JOB 21

OTHER WORK PLANS 21

Legislation 21
Branch Detailed Work Plans 21
SUMMARY FINANCIAL OUTLOOK 22
Background 22
Major Financial Impacts 22
Response to Variable Activity Levels 22
Budget Stabilization Plan 23
SCIENCE AND COMMUNITY ENVIRONMENTAL KNOWLEDGE (SCEK) FUND ENVELOPES 23
THREE-YEAR FINANCIAL SUMMARY 24
Key Assumptions 24
Forecast Risks 24
OIL AND GAS COMMISSION - THREE-YEAR BUDGET 25
SIX-YEAR COMPARATIVES 26

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Message from the Board

This is the third three-year plan issued by the Oil and Gas Commission (Commission). This current Service Plan continues the focus of the Commission to achieve its vision and mission. The key objectives of the prior Service Plan remain the key elements of this Service Plan.

The governance of the Commission has changed, in accordance with amendments to the Oil and Gas Commission Act through Bill 36, 2002. A new Board of Directors will be established to lead the Commission and report to the Minister of Energy and Mines, the Honourable Richard Neufeld.

The role of the Board is to provide guidance to the Commission; approve the service plans and initiatives of the Commission; and to hold the Commission and Commissioner accountable for meeting the goals and objectives of the Commission, while providing value to British Columbia.

After completing a comprehensive review, the Board of Directors approves and issues this Service Plan, on this 27th day of January 2003.

Derek Doyle
Chair

January 28th, 2003

Message from the Commissioner

I am delighted to present this latest Service Plan for the Commission for the period April 1, 2003 to March 31, 2006.

With the changes to the governance of the Commission, my role is now more defined. My responsibilities are now those of the Chief Executive Officer [1] of the Commission, and am responsible for the performance of the Commission and for delivery of value to the people of British Columbia.

Last year we set out four objectives namely:

- Broaden the single-window approach to regulating;
- Move to a results and performance based regulatory system;
- Continue to improve efficiency and effectiveness; and
- Enhance our collaborative approach with First Nations.

These are still the Commission's key objectives and are in place to meet our goal of achieving our vision and mission by regulating for the benefit of all. However, we have realized that there are additional objectives for the Commission that need to be included in the Service Plan. These are:

- Enhance hydrocarbon reserve information;
- Improve safety, planning and compliance by industry; and
- Become an employer of choice.

These seven objectives will guide our efforts in the years ahead.

Derek Doyle, Commissioner
January 28th, 2003.

[1] As defined by the *Budget and Transparency and Accountability Act*

Strategic Overview

Linkage to the Government's Strategic Plan

The Commission has a role in assisting the government meet two of its goals:

- A strong and vibrant provincial economy
- Safe, healthy communities and a sustainable environment

Many of the strategies and management themes of government have been included in the Commission's Service Plan including:

- Becoming a results-oriented organization;
- Reducing "red tape"; reducing the regulatory burden by 33% over 3 years;
- Revising safety standards;
- Rationalizing provincial resource inventory systems;
- Protecting human health; and
- Delivery of a provincial energy policy.

Additionally, the government has announced its goal of doubling oil and gas investment in BC by 2007. By becoming the "innovative regulatory leader, respected by stakeholders, First Nations, and Clients", the Commission will assist in government reaching its goal.

Strategic Shifts

Since the completion of the Core Review, the Commission has reframed its service plan towards the achievement of *SPEC*:

S Enhance our Single-Window approach to regulating
P Move to a Results and Performance-based regulating system
E Continue to improve Efficiency and Effectiveness, including emphasis on deregulation, and
C Establish a Collaborative approach with First Nations

Vision

"To be the innovative regulatory leader, respected by stakeholders, First Nations and clients."

Mission

"Regulating Oil and Gas Activity:

- *through fair, consistent, responsible and transparent stakeholder engagement,*
- *for the benefit of British Columbians,*
- *by balancing environmental, economic, and social outcomes."*

Core Values

"We Commit to Integrating the Following in Everything We Do:

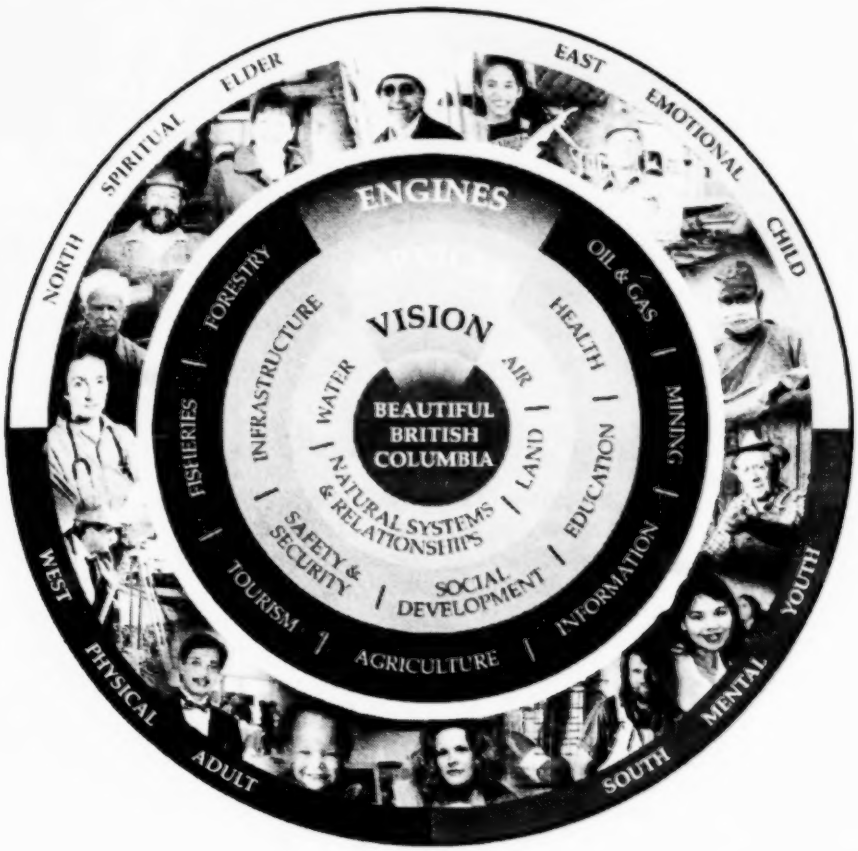
- *We do our duty.*
- *We continually strive to strengthen relationships with our stakeholders, First Nations, clients, and co-workers by being truthful, open and demonstrating integrity.*
- *We are flexible, innovative, and proactive.*
- *We are socially and environmentally responsible.*
- *We will measure our performance and strive for excellence.*
- *We are open to change that enables personal and organizational growth.*
- *We foster a positive attitude and fun in the workplace."*

Prosperity Through Unity Circle

The Commission's vision is to be the innovative regulatory leader, respected by stakeholders, First Nations and clients. We believe our collective prosperity is only possible through unity. Our goal is to regulate in a manner that is in harmony with the environment and is respectful of its resources, people and future generations.

The circle depicts our greatest resource – our people; whose knowledge, talent, and intelligence, when shared, benefit all. This circle allows for a graphical representation of how the oil and gas industry and the Commission fit into the overall direction of British Columbia.

'PROSPERITY THROUGH UNITY' CIRCLE



The Prosperity Through Unity circle depicts our greatest resource – our people; whose knowledge, talent, and intelligence, when shared, benefit all.

The **VISION** circle illustrates the life sustaining resource gifts of British Columbia. The **SERVICES** circle signifies the many social benefits British Columbians enjoy. The **ENGINES** circle is a symbol of the provincial economic development necessary to generate the wealth to provide the services we depend upon. The **PEOPLE** circle signifies that from child to elder, we learn to do our duty reliably, striving for unity and thereby realizing prosperity.

Planning Context

The Commission has completed an environmental scan by reviewing the current operating environment and believes the following may impact its operation during the period of this Service Plan:

External

- First Nations ability to achieve their development goals, while maintaining a healthy environment
- Implementation of changes to the way forestry is regulated including the new *Forest and Range Practices Act*
- Implementation of the province's Energy Policy
- Impacts of Alaska, Yukon, and Northwest Territories oil and gas development and pipelines
- Expansion into other areas of the Province and coalbed methane development
- Increased depth of wells in Northeast BC and increased levels of H_2S in the natural gas in those wells
- Impact from use of alternative energy sources
- Commodity Prices

Internal

- Ability to recruit qualified and motivated employees to Northern BC
- Ability to retain current employees given the growing opportunities in industry.

Risk Mitigation

The environmental scan underlies the Commission's planning for possible contingencies and preparations, responding to changes that affect the services the Commission provides or its mandate. By moving forward to the achievement of the Commission's goals, the various risks associated with the identified threats and opportunities can be mitigated or minimized.

Overview of the Organization

Purpose

The purposes of the Commission, as specified in the *Oil and Gas Commission Act* are to:

(a) Regulate oil and gas activities and pipelines in British Columbia in a manner that
  (i) *provides for the sound development of the oil and gas sector, by fostering a healthy environment, a sound economy and social well being,*
  (ii) *conserves oil and gas resources in British Columbia,*
  (iii) *ensures safe and efficient practices, and*
  (iv) *assists owners of oil and gas resources to participate equitably in the production of shared pools of oil and gas.*

(b) Provide for effective and efficient processes for the review of applications related to oil and gas activities or pipelines, and to ensure that applications that are approved are in the public interest having regard to environmental, economic and social effects.

(c) Encourage the participation of First Nations and aboriginal peoples in processes affecting them.

(d) Participate in planning processes, and

(e) Undertake programs of education and communication in order to advance safe and efficient practices and the other purposes of the Commission.

Governance

The Commission reports to the Honourable Richard Neufeld, Minister of Energy and Mines. A three-person Board of Directors governs it, with the Deputy Minister of Energy and Mines as Chair, the Commissioner as Vice-Chair and a third member appointed by Cabinet. The third member will act as the Chair of the Board's Audit Committee.

The Commission receives guidance and advice from an Advisory Committee made up of ten members appointed by the Minister from five different groups: local government, First Nations, local contractors, non-governmental organizations and industry.

The Commission also works closely with the BC Executive Policy Group of the Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC).

Finally, the Commission works closely with other provincial government agencies, local governments, and the Chief and Elders of the First Nation communities to ensure that the Commission delivers its mandate appropriately.

Outline of the Organization

The Commission is headquartered in Fort St. John and has offices in Victoria, Fort Nelson and Kamloops.

Fees and levies paid by industry through the provincial government fund the Commission. It is a Crown Agency and maintains its own financial and administrative systems. Its employees are subject to the *Public Service Act*.

The Commission currently has 99 employees and 22 vacant positions organized into 9 branches and sections:

Executive
Aboriginal Relations and Land Use
Applications and Approvals
Compliance and Enforcement
Corporate Services
Legislation, Policy and Special Projects
Operations Engineering
Reservoir Engineering and Geological Services
Stakeholder Relations and Communications

The management team of the Commission is made up of the Executive Branch (Commissioner and Deputy Commissioner) and the Directors or Managers responsible for the Branches.

What the OGC Delivers

WHAT THE OGC DELIVERS	
Branch	Responsibility
Applications and Approvals	Review applications related to oil, gas and pipeline activities. The branch authorizes permits, which serve the public interest concerning environmental, economic and social impacts.
Compliance and Enforcement	Ensure that petroleum resources are developed, maintained and transported in a safe, efficient and environmentally sound manner consistent with statutory requirements.
Aboriginal Relations and Land Use Planning	Collaborate with First Nations to build relations with government and the oil and gas industry. Consult with First Nations communities about oil and gas industry activities and represent the technical aspects of the oil and gas sector in land-use and environmental planning processes.
Corporate Services	Develop, interpret and implement effective financial policy and procedures for OGC programs and facilities. Prepare annual business plans; provides secretariat services for the Advisory Committee and Environment Fund and manage and implement information systems.
Engineering and Geology	Promote the conservation of the province's oil and gas resources through optimal development; ensures public safety; protect environment and fiduciary interests; protect the rights of tenure holders; maintain petroleum and natural gas resource inventories; and, provide technical data and information to industry.
Legislation, Policy and Special Projects	Ensure development and maintenance of the long-term policy and legislation framework to enable the Commission to adapt and respond to new social, environmental and economic developments.
Stakeholder Relations and Communications	Coordinate external initiatives to encourage the participation of clients, First Nations and stakeholders in processes affecting them. Undertake programs of education to advance efficient regulatory delivery.
Commissioner's Office	Guide and support the Oil and Gas Commission in fulfilling the mandate and in achieving its vision and core strategies.

Goals

The Commission has four main goals that will lead to the fulfillment of its vision and mission:

A. To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all.
B. Provide resources to meet our duty and provide benefits to British Columbia.
C. Increase knowledge to help plan, avoid, mitigate and reclaim impacts of oil and gas activities.
D. Become a stakeholder-centric organization.

Each goal has one or more objectives. Each objective has a series of strategies that will be used over three years to achieve the objective.

Performance Measures, Targets and Indicators

Performance measures and targets, that indicate the progress of the Commission towards meeting the objectives of the goal, have been developed. The results of the measures, how they were measured, and how the Commission will react, are to be included in the Commission's Annual Report.

The indicators for some of the performance measures have been estimated due to a lack of historical data. As the ability to measure results improves, the Commission will continuously improve it's reporting.

Experience and positive feedback have allowed the Commission to refine its objectives, goals and measures. This means that some changes have been made to what was stated in the 2002/2005 Service Plan. For example, goals and measures targeted specifically at Human Resources and the Science and Community Environmental Knowledge (SCEK) Fund have been added.

Some performance measures address one or more strategies. This is because the strategies are inter-linked to the overall objective of being the innovative leader, respected by stakeholders, First Nations and clients. This allows the measures to be flexible enough to be used for more than one specific strategy.

Confidential Information

All relevant information has been provided. No information has been omitted for confidentiality reasons.

Goal A: To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all

This is the key goal of the Commission and reflects us "Doing Our Duty". It is consistent with last year's Service Plan.

The four objectives are:

1. Broaden our single-window approach to regulating
2. Move to a results and performance-based regulatory system
3. Continue to improve efficiency and effectiveness
4. Enhance our a collaborative approach with First Nations

Goal A
To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all
Objective #1
Broaden our single-window approach to regulating
Description
The Commission was established to act as the single point of regulating for the oil and gas industry. The purpose of this objective is to further this work.
Strategies
O Develop specific actions for provincial consideration to reduce land tenure conflicts (2003/04) O Establish close synergistic working relationship with Worker's Compensation Board (2003/04) O Establish close working relationship with Department of Fisheries and Oceans Canada and the provincial Conservation Service (2003/04) O Develop comparative performance data between jurisdictions (2003/04) O Acquire powers under the *Pesticides Control Act* (2004/05) O Examine the merit of combining all Commission powers into a single Act (2004/05) O Transmit data to the British Columbia Assessment Authority so that companies do not have to report to two organizations (2004/05) O Rationalize and standardize road regulations affecting the oil and gas industry (2004/05)
Performance Measures and Benchmarks
This measure is computed by looking at all regulatory functions that effect oil and gas companies and determine how many the Commission is responsible for. There are functions that the Commission will not regulate if the Commission's involvement is not justified by the benefits to industry and government. The percentage estimated for 2001/02 was 70% and for 2002/03 it increased to about 85% by year end.

Performance Measures	2003/04	2004/05	2005/06
Percent of oil and gas regulatory functions inside the Commission's jurisdiction	90%	95%	95%

Indicators
• Number of new regulations, acts, delegation agreements and MOU's we take on.

Goal A

To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all

Objective #2

Move to a results and performance-based regulatory system

Description

The Commission is moving to performance based regulating, following the direction of government. The concept is that the regulator will move away from telling industry how to do things and instead focus on what must be accomplished (or protected). This will allow for flexibility and innovation by industry.

Strategies

- Move to targeted use of General Development Plans (2003/04)
- Enhance the system to monitor and record the performance of companies (2003/04)
- Conduct pre-application field visits with industry in sensitive areas to develop the results desired by the Commission (2003/04)
- Expand use of review corridors and self-amendment (2003/04)
- Review input from and support the Practice Advisory Group (start 2003/04)
- Develop results permitting system for NEBC streams and establish data inventory of crossings and water diversions (2004/05)
- General Development Plans are used throughout the applications process (2004/05)
- Establish initiatives to reward companies that improve environmental performance and surpass performance goals (2004/05)
- Build archaeology maps that industry can use to advance results-based approach (2004/05)
- Identifying results that are desired under the Commission's regulatory role and communicate them to industry and stakeholders (2004/05)
- Begin adopting the use of Industry Recommended Practices (2004/05))
- Adopt an oil and gas industry version of Forestry Results-Based Code (2004/05)
- Establish three performance-based pilot project (2004/05) and ten performance-based pilot projects (2005/06)

Performance Measures and Benchmarks

The estimated percentage for 2001/02 was 15% and it is anticipated that the Commission will be at 20% by March 31, 2003.

Performance Measures	2003/04	2004/05	2005/06
Percent of applications that are results-based	30%	40%	50%

Indicators

- Number of changes made to Acts and Regulations
- Number of industry recommended practices we use

Goal A

To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all

Objective #3

Continue to improve efficiency and effectiveness

Description

The purpose of this objective is to recognize that as the Commission becomes more efficient, it can deliver more value to industry for lower costs.

Strategies

- Share systems and processes with Land Water B.C. Ltd., as may be appropriate. (2003/04)
- Review all regulatory burdens to look for eliminations (Ongoing)
- Establish decision ladders and dispute resolution procedures (2003/04)
- Improve workflows on geological information (2003/04)
- Explore use of the government's Shared Services Initiative for possible efficiency gains (2003/04)
- Improve efficiency of records management and Freedom of Information by moving 90% of records in staff areas to central filing (2004/05)
- Streamline the decision making process for the archeology portion of land use applications (2004/05)

Performance Measures and Benchmarks

To meet the government's regulatory burden reduction target of 33%, the Commission must reduce regulatory requirements from 7,874 in June 2001, to 5,197. For 2002/03 the regulatory requirements count is 6,200. We have not yet determined the baseline satisfaction of our clients, stakeholders, First Nations and staff. The average working days to complete an application in 2001/02 was 21 days. The expected time in working days for 2002/03 is 18 days.

Performance Measures	2003/04	2004/05	2005/06
Regulatory burden	5,670	5,197	5,197
Satisfaction rate	82%	88%	90%
Average working days to complete an application	15	13	13

Indicators

- Reduction in application amendments

Goal A
To become a respected and trusted regulator by achieving our mission and vision of regulating for the benefit of all
Objective #4
Enhance our collaborative approach with First Nations
Description
One of the key duties of the Commission is to develop relationships with First Nation communities and to consult on all exploration and development for the oil and gas industry. This objective recognizes a new approach to working together.
Strategies
O Assist First Nation communities in accessing OGC Geographic Information Systems (2003/04) O Enhance the consultation process through expanded discussion, information sharing and compliance work (2003/04) O Develop close working relationship in regards to compliance and enforcement (2003/04) O Expand consultations into other areas of the province as oil and gas develops there (2003/04) O Provide support to First Nation communities to access the Economic Measures Fund (Ongoing) O Facilitate pre-tenure consultation to First Nation communities for the Ministry of Energy and Mines (2003/04) O Establish a Commission office in Chetwynd that can support consultation with First Nation communities in that area (2003/04) O Develop collaborative land planning with First Nations, ministries and regulators (2004/05)
Performance Measures and Benchmarks
The performance measure for this objective is measured through a satisfaction index. This is the same measure as used for the efficiency and effectiveness objective.

Performance Measures	2003/04	2004/05	2005/06
Satisfaction of First Nations.	70.0%	75.0%	80.0%
Consultations completed with written response	3,800	4,000	4,200
Indicators			

Goal B: Provide resources to meet our duty and provide benefit to BC

This goal reflects the infrastructure behind the industry and the Commission. It covers areas that increase investment, reduce risks and improve the performance of the Commission.

The four objectives are:

1. Enhance hydrocarbon information available to industry so that the investment risk is reduced.
2. Reduce the risks to British Columbia and its citizens through improvements in safety and planning, and high compliance by industry, with rules and regulations.
3. Become the employer of choice and have well trained and committed staff.
4. Conduct more of its business electronically with its clients (eCommerce).

An overall indicator for this goal would be increases of British Columbia's oil and gas reserves and annual production volumes.

<table>
<tr><th colspan="4">Goal B</th></tr>
<tr><td colspan="4">Provide resources to meet our duty and provide benefit to BC</td></tr>
<tr><th colspan="4">Objective #1</th></tr>
<tr><td colspan="4">Enhance hydrocarbon (oil and gas) resource information available to industry so that investment risk is reduced</td></tr>
<tr><th colspan="4">Description</th></tr>
<tr><td colspan="4">The oil and gas industry makes decisions on what to develop and explore and where to invest based on limited information. BC has a strategic advantage in that it has very good information it can provide to potential investors. Hydrocarbon information is extremely valuable to industry for their investment decisions and to the Province for policy decisions.</td></tr>
<tr><th colspan="4">Strategies</th></tr>
<tr><td colspan="4">O Digitize all new pool information at the beginning of the process (2003/04)
O Digitize all old pool information and make available on the web (2003/04)
O Build a system to manage prioritization and analysis of reserves, speeding up the process and making it more effective (2004/05)
O Publish a quarterly activity report (2004/05)
O Provide additional pool, reserve and geological information on the web, including query functions (2004/05)</td></tr>
<tr><th colspan="4">Performance Measures and Benchmarks</th></tr>
<tr><td colspan="4">The purpose is to expedite analysis and so results are incorporated promptly into the technical interpretation of the pool formation, pay mapping estimates, recovery factors, etc.</td></tr>
<tr><th>Performance Measures</th><th>2003/04</th><th>2004/05</th><th>2005/06</th></tr>
<tr><td>New pools are analysed and information is posted (including map) to the web as soon as pool is no longer confidential</td><td>90% within 90 days</td><td>90% within 70 days</td><td>90% within 50 days</td></tr>
<tr><th colspan="4">Indicators</th></tr>
<tr><td colspan="4">• Indicators include increasing annual investment, Provincial tenure sales revenues , percent of North American investment in BC and client satisfaction</td></tr>
</table>

Goal B

Provide resources to meet our duty and provide benefit to BC

Objective #2

Reduce the risks to British Columbia and its citizens through improvements in safety, planning and high compliance by industry with the rules and regulations

Description

Risks include human health, worker safety, environmental impacts and recovery levels of the provincial oil and gas resource. Through a good safety and compliance program, the Commission can meet the needs of the public as well as ensure a level playing field for industry.

Strategies

- Develop standards for BC for downstream Pipeline and Facility Integrity Management (2003/04)
- Annually conduct joint audits of the oil and gas industry with other Agencies (Ongoing)
- Develop a campaign to improve compliance of *Waste Management Act* (start 2003/04)
- Finalize the Commission's Emergency Management Plan and conduct annual training exercises (2003/04)
- Improve road regulation for the oil and gas industry to specifically address environmental issues, worker safety and reclamation measures (2003/04)
- Develop and implement a program to ensure wells and facilities are abandoned in a timely manner, enhance the drilling deposit system to limit the financial liability to the Province and identify and abandon orphan wells. (2003/04)
- Develop spill response plans for lease areas (2003/04)
- Build a method of prioritizing and risk managing inspection work (2003/04)
- Conduct first audit of pipeline and facility operator in BC to examine their Integrity Management Systems (2004/05)
- Develop upstream Pipeline and Facility Integrity Management (starting 2004/05)

Performance Measures and Benchmarks

The major compliance rate in 2001/2002 was estimated at 79% and is expected to be 82% in 2002/03. This is major compliance with regulations administered by different agencies and is determined during the joint audits conducted January through March. Major compliance of facilities and operations is based on compliance to the *Petroleum Natural Gas Act* and the *Pipeline Act*, as a year-round activity.

Performance Measures	2003/04	2004/05	2005/06
Major compliance found of exploration and development through joint audits	85%	88%	90%
Major compliance of facilities and operations	94%	96%	96%

Indicators

- Percent of pipelines with integrity management plans
- Number of events for the industry in BC for a year

Goal B
Provide resources to meet our duty and provide benefit to BC
Objective #3
Become the employer of choice with well trained and committed staff
Description
This objective includes everything around improving staff's morale and performance, ensuring staff safety and staff retention. The key to fulfilling all of the other objectives is the staff. The Commission must recruit and retain the very best people.
Strategies
○ Conduct annual staff planning and feedback sessions (starting 2003/04) ○ Develop and deliver corporate people enhancement plan – EmPower (2003/04) ○ Examine compensation in 'hot skills' areas using competitive factors (2003/04) ○ Complete a Health and Safety Manual and Program (2003/04) ○ Cross-train staff, between field and office (2003/04) ○ Systematically conduct Exit Interviews to seek improvements to human resource management (2003/04) ○ Promote staff involvement in community events (2003/04) ○ Establish a staff recognition program (2004/05) ○ Develop and implement a employee development and succession plan
Performance Measures and Benchmarks
Part of the satisfaction index will include measuring the satisfaction of staff. Staff turnover in 2001/02 was 15%. This may reach 18% in 2002/03.

Performance Measures	2003/04	2004/05	2005/06
Satisfaction of staff	76.0%	79.0%	82.0%
Staff Turnover	15.0%	12.0%	10.0%

Indicators
• Percent of total salary amount spent on training • Staff turnover

Goal B
Provide resources to meet our duty and provide benefit to BC
Objective #4
Conduct more of its business electronically with its clients (eCommerce)
Description
Moving the Commission into the electronic commerce world has been part of the Commission's planning since its inception. This is consistent with the government's direction. These changes will assist our clients and improve our performance.
Strategies
O Partner with Ministry of Provincial Revenue and the Alberta Energy and Utilities Board to examine a Western Canada Registry that electronically accepts all production information (2003/04) O Commission enabled to take mapping data electronically (2003/04) O Most drilling reports and information collected electronically (2003/04) O Electronically record all consultation efforts with First Nations (2003/04) O Provide electronic access to non-confidential mapping information through the Internet (2004/05) O Complete the digitization of pipeline maps and provide to any third party who wants the information (2004/05) O Digitize some file records that are accessed by the public and provide through the Internet (2005/06)
Performance Measures and Benchmarks
The percentage of client interactions will be calculated based on applications and reports that clients are required to submit. A baseline has not been calculated but currently only two areas of business are done via the Internet: technical pipeline applications and application for leave to open a pipeline.

Performance Measures	2003/04	2004/05	2005/06
Percent of client interactions done via the Internet	10%	20%	25%

Indicators
• Reduction in square footage used for filing system • Reduced use of paper maps • Increased web usage

Goal C: Increase knowledge to help plan, avoid, mitigate and reclaim impacts of oil and gas activities

This goal pertains to the operation of the Environmental Fund. The one objective for this goal is to expand the use of the Science and Community Environmental Knowledge Fund, which replaces the former Environmental Research Fund.

Goal C
Increase knowledge to help plan, avoid, mitigate and reclaim impacts of oil and gas activities
Objective #1
Expand the use of the Science and Community Environmental Knowledge Fund and its relevance to all
Description
This fund is a reprioritization of the Environmental Research Fund which was a five-year $5 million partnership with industry.
Strategies
○ Seek renewal of the fund for a further 5 years from CAPP and SEPAC (2003/04) ○ Convene an annual conference to communicate results of the studies and identify future priorities ○ Annually set specific funding into the four areas of research as indicated in the budget section of this Service Plan ○ Enhance accessibility to the fund by First Nations (2003/04) ○ Produce brochures describing how the fund works (2003/04) ○ Produce a newsletter to describe the results of each completed study and how the results are used (start 2003/04) ○ Hire a respected member of the scientific community to act as the advisor to the fund (2003/04) ○ Work with other provinces on WISSA animal health and sour gas study (2004/05)
Performance Measures and Benchmarks
The findings of studies need to be: i) directly applicable to the regulatory duties of the OGC, ii) important in solving significant health & safety problems, iii) important in setting direction for cumulative impact management, and iv) fill or clarify information needs of communities.

Performance Measures	2003/04	2004/05	2005/06
• Projects completed and reported	7	10	14
• Funds committed	$1,500,000	$1,500,000	$1,000,000

Indicators
• Attendance at conferences and symposiums • Stakeholder and First Nation satisfaction • Number of projects initiated by local community and approved

Goal D: Become a stakeholder-centric organization

This goal reflects the Commission's efforts with others to build prosperity through unity. There currently is only one objective for this goal to expand the Commission's involvement in the community and community projects.

Goal D
Become a stakeholder-centric organization
Objective #1
Develop a corporate culture of knowledge and awareness of the needs and expectations of clients, First Nations and stakeholder groups
Description
This objective focuses on the Commission's activities to improve its relationships with clients, stakeholders and First Nations.
Strategies
O Expand the Commission's involvement in the community and community projects (2003/04) O Hold informative workshops for clients on industry performance, process and regulatory changes (2003/04) O Hold informative workshops and provide publications to respond to First Nations and stakeholder information needs (2003/04) O Establish relationships with agricultural community consistent with ALC delegation (2003/04) O Develop ADR ladder and supporting process (2003/04) O Collaborate with industry task groups in the examination of issues (Ongoing) O Interactive work with local government, in particular on the annual Oil and Gas Conference (Ongoing)
Performance Measures and Benchmarks
The performance measure for this objective is measured through a satisfaction index. This is the same measure as used for the efficiency and effectiveness objective. The number of complaints from citizens, industry and communities is an indicator of performance. The year 2002/03 will set a baseline.

Performance Measures	2003/04	2004/05	2005/06
Improvements in stakeholder satisfaction	65%	70%	75%
Number of complaints satisfactorily handled (%)	80%	85%	85%

Indicators
• Public and First Nations attendance at annual conferences • Number of complaints

Annual Information Technology Work Plan

Introduction

In 2001/02, the Commission released a Strategic Systems Plan in support of its three-year business plans. The purpose of the plan is to describe how the Commission will advance towards becoming a leader in e-government regulatory services through the delivery of integrated electronic services to achieve its mission.

Five key strategies were developed to achieve this objective. Each year the Commission will develop its work plan to accomplish the strategies.

Integrating all Functions into a Single System, Process and Database

This strategy will be completed in 2003/04 building on the work in 2002/03. The key projects for the coming year are:

- Enhancing reservoir functions while integrating into the Integrated Resource Information Systems (IRIS);
- Migrate remaining the Petroleum Information Management System (PIMS) functions to IRIS database;
- Enhancing the pipeline inspection and incident functions and integrating into IRIS;
- Converting pipeline technical application process to Oracle and integrating into IRIS;
- Converting pipeline technical review functions into standard IRIS functions, supporting the integrating of the business processes;
- Consolidating all inspection data collection into IRIS.

Partnering in the Delivery of Geographic Data and Process

Building on the successful establishment of a geographic information system (GIS) during 2002/03, the Commission will make significant gains for the coming year by delivery of these key projects:

- Convert existing oil and gas data into digital format that can be delivered over the Internet;
- Provide GIS abilities to Treaty 8 First Nation communities;
- Integrate the exchange of information with the Integrated Cadastral Initiative Society; and
- Collaborate on the Integrated Registries Project of the Ministry of Sustainable Resource Management.

Providing All Planning Data on the Web

During the coming year the significant planning data will be provided via the Internet for use with the Commission. The specific projects that will be completed are:

- Provide Internet access to view all non-confidential oil and gas information along with key land and environment information;
- Provide query capabilities into fields, pools and reserves;

Accepting Applications and Client Reports Electronically

Building on various tests, prototypes and simple processes that were deployed in 2002/03, the following key projects will be deployed in 2003/04:

- Develop the capability to accept land use, operations engineering applications and well drilling reports.
- Accept responses to Inspection Deficiency reports via the Internet.

Providing the Systems Our Staff Needs to Do Their Job, Where They Need to Do Their Job

During 2003/04 the finishing touches to this strategy will be completed through the following projects:

- Improve the opportunities for select staff to operate from outside the office;
- Providing an enhanced risk analysis tool kit to be used in prioritizing inspection effort;

Other Work Plans

Legislation

The Commission will be advancing legislation and regulatory changes for government consideration in 2003/04, focusing on regulatory streamlining, regulatory reductions and orphan well rehabilitation. During 2003/04 further work will be done to formulate requests for legislation on broadening the one-window approach, advancing the results based regime and possibly creating a single stand alone *Oil and Gas Commission Act*.

Branch Detailed Work Plans

Each Branch of the Commission will complete a detailed plan of work to be completed in 2003/04. This plan will be tabled with the Board by March 31, 2003. These work plans will specify who will be responsible for each part of the Service Plan and will include additional items not listed in the Service Plan.

Additionally, the Director or Manager of each Branch will have an individual Performance Plan prepared to outline their responsibilities for achieving the Service Plan. These Performance Plans will be completed and approved by the Commissioner by March 31, 2003.

Summary Financial Outlook

Background

The majority of the Commission's costs are fixed or semi-fixed (slow to change). Unless the activity changes significantly, it is unlikely that these costs will change in the short-term. The Commission is specifically changing its business methods and organizational structure to enable the current staff and facilities to handle increases in exploration, compliance and enforcement. Positions are held vacant when downturns are expected.

Payments made to First Nations are variable with the numbers of well applications submitted and the number of Agreements that are in place.

Revenues have two components. The first is the levy, which is based on oil and gas production. It is steady and changes slowly as overall production changes. It is somewhat linked to commodity prices. The second is the fees, which are based on exploration activity and are volatile, changing quickly based on commodity prices.

The *Levy Regulation* of the *Petroleum and Natural Gas Act* is set up to allow the Commission to have a balanced bottom line. It allows the Commission to adjust levy revenues so that a balanced budget is maintained over the long term. Fees are changed periodically by regulation.

Major Financial Impacts

In order to reduce its surplus to $1.5 million, OGC will maintain the current gas levy rate of $0.23 for 2003/04 and then raise it to $0.25 in 2004/05. In future years, as production increases the levy rate will be adjusted. Fee revenue will remain steady to achieve the overall goal of 45% from fees and 55% from levy.

Increases from the 2002/03 budget to the 2003/04 budget due to staffing costs are:

- Full year salary costs for all positions, plus a 2.0% cost of living raise ($1,178K)
- Seven (7) newly funded positions ($457K)
- Travel expenses for full year for all positions ($41K)

New operational expenses are made up of the following:

- OGC Community Office – Chetwynd ($36K)
- Shared Services costs – Payroll and Human Resources ($86K)
- IT Development – various projects ($72K)
- SCEK Fund Science Manager contract ($65K)
- Other professional contractor services – various ($45K)
- Full year of new lease rate for Fort St. John facility ($255K)

Operational expenses become steady after the second year as hiring levels off. The only increases shown after that relate to inflation adjustments and anticipated salary increases.

Response to Variable Activity Levels

Much of the Commission's budget is fixed and is based around having funding for the core competencies. In branches that require variable-staffing levels to respond to varied activity levels the

Commission has adopted a vacancy management strategy. The main two branches where this occurs are in the Applications and Approvals Branch and the Compliance and Enforcement Branch.

The Commission's current three-year budget is based on a fixed activity level and the current staff complement is designed to handle this. Small increases or decreases to the activity level will be managed with existing staff. If there is an increase in activity that will be sustained for a period of time then the Commission will use temporary staffing techniques. If the activity level appears to be declining then the Commission will not fill some of its staff vacancies.

This variable activity level strategy is based on the assumption that these activity levels are temporary in nature. Once it was known that a new activity level reflects the new base state then staff would be hired or positions eliminated accordingly.

Budget Stabilization Plan

The Commission is proposing to modify its fee and levy regulations so that it can choose to run a surplus or deficit. Once this change goes through the Commission will use this ability to reduce the variability of what it charges to industry and have stable fees and levies year-to-year. This benefits industry, OGC and reviewers.

The Commission will maintain a reserve equal to $1,500,000. The anticipated surplus by the end of fiscal year 2002/2003 is $5,106,000. By keeping the gas levy rate at its current rate of $0.23, the Commission forecasts a surplus of $2,919,376 by the end of fiscal year 2003/2004.

Assuming that applications remain at the 1,000 base level, the Commission will have to modify the gas levy rate to $0.25 for fiscal year 2004/2005 and to $0.28 in 2005/2006. It is forecast that the rate can be maintained at that amount through to fiscal year 2007/2008. The surplus is estimated to fall to $1,500,000 by the end of fiscal year 2004/2005.

If in any year the well applications fall below 1000 the Commission would use the reserve to make up its income. If the reserve is projected to fall below the $1.5 million level then the following year revenues would be set to run a surplus to bring the reserve up to the required level.

Science and Community Environmental Knowledge (SCEK) Fund Envelopes

The funding envelopes for 2003/04 for the SCEK Fund are:

Health and Safety	$ 375,000	25%
Ecosystem and Cumulative Impact Management	$ 675,000	45%
Engineering and Technology Innovation	$ 225,000	15%
Education and Extension	$ 225,000	15%
	$1,500,000	100%

Notes:

- Because there were unused funds from previous years, the total amount that is being allocated 2003/04 is more than $1 million. In subsequent years the amount will be reduced back to the agreed amount of $1 million per year.

Three-Year Financial Summary

($'000s)

	2002/2003 Latest Forecast	2003/2004 Budget	2004/2005 Forecast	2005/2006 Forecast
Total Revenue				
Revenues from levy	7,071	7,642	8,617	10,246
Revenues from fees[1]	9,674	9,000	8,997	8,997
S&CEK Fund[2]	1,293	1,200	1,200	1,200
Total Expenses				
First Nations	5,105	6,580	6,580	6,580
Operating	10,307	12,249	12,454	12,663
S&CEK Fund	1,293	1,200	1,200	1,200
Operating Income	1,333	(2,187)	(1,419)	-
Accumulated Surplus	5,106	2,919	1,500	1,500

Key Assumptions

- Gas volumes increase by 3% per year
- Gas and oil prices remain relatively stable
- Well applications remain constant at 1,000 per fiscal year
- The Science and Community Environmental Knowledge Fund will be renewed prior to the end of the current agreement

Forecast Risks

- Gas volumes do not increase
- Prices are volatile
- Competition from other provinces, territories or countries attract investment dollars away from BC
- Extended periods of unseasonable weather reduce exploration

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[1] Includes miscellaneous revenue and amortization of government contributions provided to the Commission at start-up.
[2] Fund awards $1.0 million per annum. However, since expenditures fluctuate depending upon contractual commitments, the Fund only recognizes into revenue the same amount as disbursements in the fiscal year.

Oil and Gas Commission - Three-year Budget

($'000s)

	FY04	FY05	FY06
Revenues			
Fees	8,806	8,806	8,806
Levies	7,642	8,618	10,246
Miscellaneous	102	100	100
Total Revenue	**16,550**	**17,524**	**19,152**
Expenses			
First Nations	6,580	6,580	6,580
Salary	8,314	8,480	8,650
Building	903	912	921
IS & Communications	649	655	662
Vehicle & Travel	755	763	770
Contracts	880	889	898
Office Supply & Equip	444	449	453
Grants	1	1	1
Amortization	302	305	308
Total Expenses	18,828	19,034	19,243
Add: Contribution form Govt.	91	91	91
Net Income	**(2,187)**	**(1,419)**	**-**
Surplus	2,919	1,500	1,500
Contributed Surplus	410	319	228
Total Equity of Province in OGC	3,329	1,819	1,728
FTEs	125.0	125.0	125.0
Gas Levy Rate	**0.23**	**0.25**	**0.28**
Oil Levy Rate	**0.46**	**0.50**	**0.56**

Six-Year Comparatives

($'000s)

	Audited FY99	Audited FY00	Audited FY01	Audited FY02	Estimated FY03	Budgeted FY04
Revenues						
Fees	2,967	7,732	11,463	10,004	9,476	8,806
Levies	2,843	5,365	5,579	6,581	7,071	7,642
Miscellaneous	-	105	326	178	107	102
	5,810	13,202	17,368	16,763	16,654	16,550
Expenses						
First Nations	4,385	6,236	4,945	7,971	5,105	6,580
Salaries and Benefits	2,228	5,327	4,361	5,090	6,679	8,314
Building	450	854	500	514	663	903
Telecommunications & IS	235	368	450	578	695	649
Travel & Vehicle	327	477	483	519	671	755
Professional Services & Training	781	436	353	474	840	880
Amortization	108	290	289	258	300	302
Office Supplies & Equipment	212	208	235	311	458	444
Other Expenses	6	83	20	18	-	-
Grants & Contributions (not FN)	-	-	-	18	1	1
	8,732	14,279	11,636	15,751	15,412	18,828
Provincial Contribution	-	-	886	142	91	91
Surplus (Deficiency)	**(2,922)**	**(1,077)**	**6,618**	**1,154**	**1,333**	**(2,187)**
Surplus (Deficit) beginning of year	-	(2,922)	(3,999)	2,619	3,773	5,106
Surplus (Deficit) end of year	(2,922)	(3,999)	2,619	3,773	5,106	2,919
Contributed Surplus beginning of year	-	-	-	-	-	-
Amount contributed by Province	-	-	1,620	-	-	-
Amount recognized into revenue for year	-	-	(886)	(142)	(91)	(91)
Contributed surplus end of year	-	-	734	592	501	410
Total equity of Province in Commission	(2,922)	(3,999)	3,353	4,365	5,607	3,329
Ending Cash Balance	-	5,132	5,612	5,146	6,086	1,424
Ending net owing to (from) Province	2,455	5,222	(1,124)	(2,040)	(778)	(798)
FTEs (unaudited)	Not reported	82.9	78.8	84.5	111.6	125.0